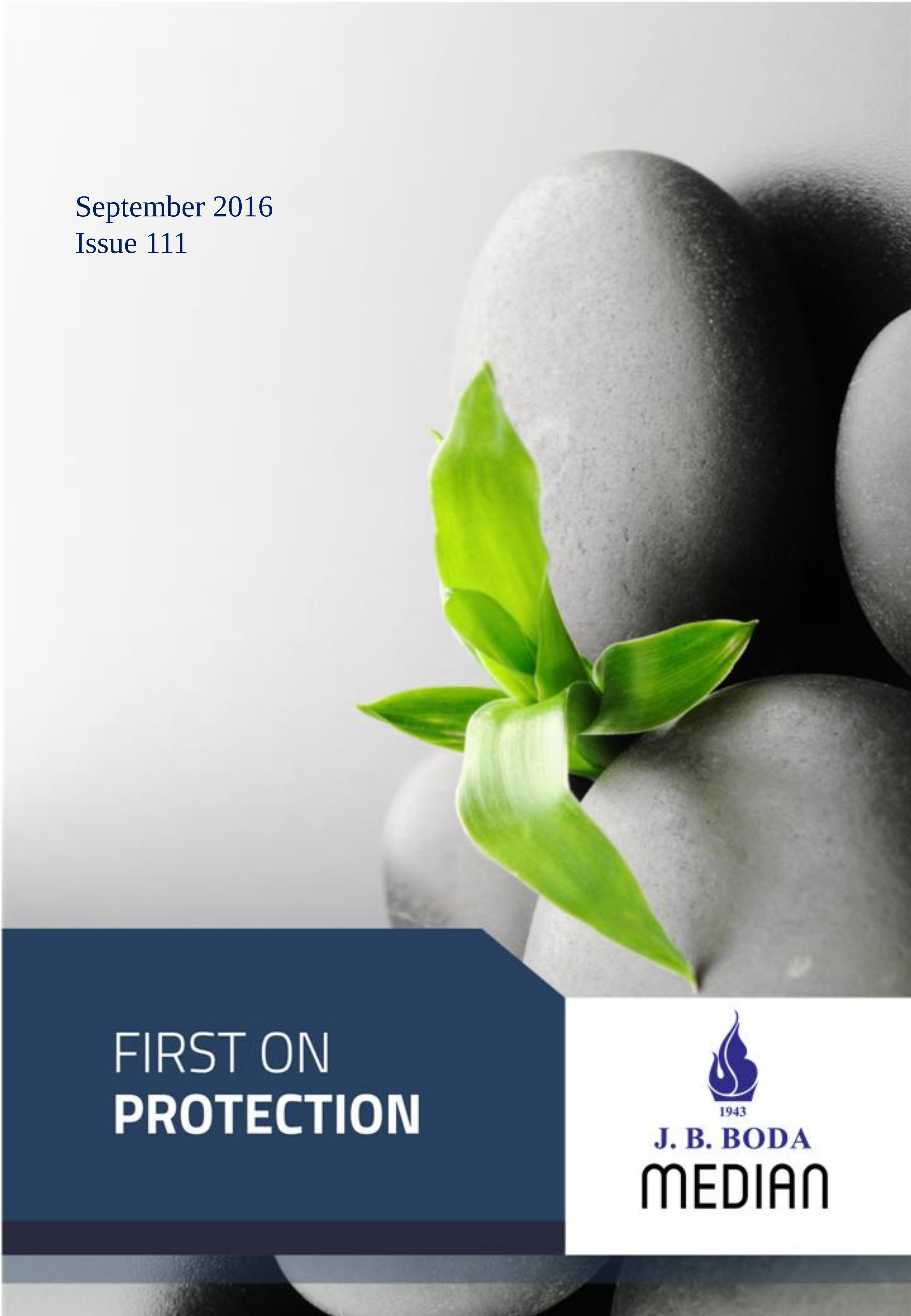


September 2016
Issue 111

FIRST ON **PROTECTION**

1943
J. B. BODA
MEDIAN

CONTENTS

PAGE NOS.

NEWS AT JBB

Changing Landscape of Indian Insurance Industry and its Impact

J. B. Boda is pleased to mention about their first remarkable India and Overseas Office Meeting in Mumbai on 26th and 27th August, 2016 to collectively discuss and brainstorm on the changing landscape of reinsurance industry in India and globally.

The focus of this meeting was to demonstrate and emphasise on the in-depth opportunities within India and Worldwide and strategize suitably to meet the challenges in the fast changing environment.

Senior colleagues from our London, Singapore, Kenya, Dubai, Nepal and Bangladesh office participated together with Mumbai office colleagues and presented their regional comprehensive analysis, indicating methodology that J. B. Boda needs to consider to move forward and expand in other fast growing economies.

The meeting concluded with considerable enthusiasm appreciating the cultural aspect.

PRIME STORY

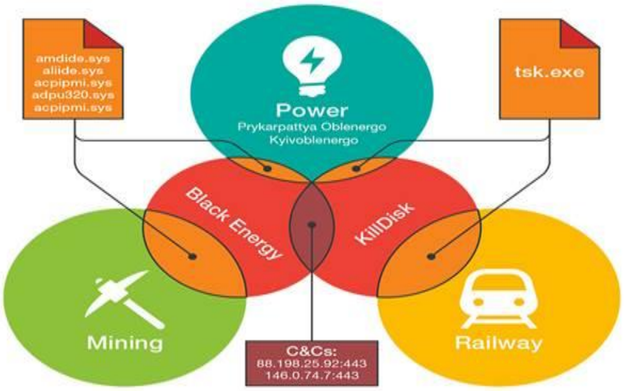
Cyber Threats to the Mining Industry

In today’s competitive global market for commodities and manufactured goods, the reliance on natural resources for economic development and fluctuating geopolitical climates have all contributed to making industries targets for cyber espionage campaigns, and—in extreme cases—disruptive and destructive cyber-attacks. These cyber espionage campaigns are designed to make sure that interest groups have access to the latest technical knowledge and intelligence so they can maintain competitive advantage and thrive in a market-driven global economy.

The mining industry is under threat from cyber-attacks aimed at exploiting its strategic position in global supply chains. Very targeted and highly coordinated, the attacks are launched by a broad set of attacker groups ranging from hacktivists to hostile governments and organized criminals. These groups have learned how to leverage the significant role that mining commodities play in regional and global supply chains and for national economies, and know how to exploit the vulnerabilities that mining companies are exposed to due to heavy reliance on integrated and automated systems.

Cyber Attacks targeting different Industries

News about cyber-attacks targeting different industries is becoming the norm, much like daily news stories about data breaches. Advanced persistent threat (APT) campaigns such as BlackEnergy—originally pure industrial espionage campaigns—have been re-purposed to cause physical impact by attacking and damaging industrial assets. BlackEnergy and another APT campaign, Sandworm, were discovered as the likely perpetrators behind outages at two power generation facilities in Ukraine in December 2015. BlackEnergy and KillDisk were discovered in similar attack attempts against a mining company and a large railway operator, also in Ukraine. This shows that BlackEnergy has evolved from an energy sector threat to one that's applicable to organizations across different sectors.



Why are Industries Vulnerable?

Cyber-attacks are not an exclusive IT problem—they have a deep impact on daily business operations such as: operational shutdowns, equipment damage, reputation damage, financial loss, intellectual property loss, competitive advantage loss, health and safety risks, etc. Today's cybercriminals are not only after money and financial information—they have evolved not only in terms of their technical ability and sophistication but are increasingly aware of the value of stolen sensitive data, how it can be monetized, and how it can influence business dynamics. As an example, one group stole market-sensitive information from 100+ companies, while another group stole pre-release information from financial newswires. In both cases the stolen information was traded for profits in the stock market.

Mining Industry – Prime Goal is Espionage

When we analyze why the mining industry could be a viable and important target, there are three clear factors that explain its relevance.

1. Increasing and continued importance of commodities as traded entities on international markets

2. Reliance on natural resources for economic development

3. The need for countries to benefit from their own mineral deposits

The mining industry is both a geopolitical and an economic target. The threat actors behind foreign cyber espionage campaigns are increasingly interested in learning about governance policies, decisions, and decision-making processes of corporate executives but also in trying to gain a competitive edge by disrupting the advantage of a competitor.

Economic Factors

The mining industry is a commodity-centric global player that is affected by the ups and downs of the market-driven global economy. One of the realities the mining industry has to cope with is that commodity prices are subject to significant short-term volatility as well as longer-term cycles. A contraction in manufacturing will result in reduced demands for raw materials and, in turn, slowdown for the mining industry.

Falling demands and drop in commodity prices have caused economic slowdown in countries that heavily rely on the export of natural resources such as Australia and Canada. On the flipside, in countries like the United States that are less dependent on the export of natural resources, the drop in commodity prices had a comparatively smaller economic impact. This dimension highlights how vulnerable the economies of some countries are to any disruption affecting a key contributor of the economy.

Theft of Pricing Information

Prices for metals are determined by the weight of a standard unit of refined product. Reference prices for industrial metals or minerals may not be directly applicable to the final product of the mines. Mines will sell their products at different refined levels because of production constraints, transportation capacity, or to meet customer needs. There are two critical dimensions to pricing: transportability (ability to move the mined minerals) and homogeneity (degree of standardization), which ultimately determines the negotiated price between the buyer and seller.

Having insider information about a mine’s pricing data can help a competitor hijack a sales deal by outbidding the competition, or a buyer negotiate a better purchase price. Customer information is another prime target for data theft. Competitors can use the stolen customer information to hijack future sales. This is the type of critical information that threat actors are after.

Hacktivism

Environmentally-conscious activists who are protesting the effects of mining on the environment and wildlife habitats take it upon themselves to retaliate by inflicting damage to the mining companies. Cyber-attacks offer these activist groups a new way to disrupt mining operations.

NATIONAL

New health insurance regulations allow market testing of products

Emphasising on innovation, the insurance regulatory and development authority of India (Irdai) has allowed filing of "pilot products" for market testing under its new regulations for health insurance segment. The authority has also asked insurers to promote wellness and factor in health management initiatives in pricing, and has restrained life insurers from offering indemnity products. "In order to facilitate offering of innovative covers by insurers, pilot products may be designed and filed for the authority's approval in accordance with the product filing guidelines specified by the authority," says Irdai in its 2016 regulations for the health insurance segment. General insurers and health insurers can offer pilot products for a term ranging from one to five years. "Five years after launch, the pilot product needs to get converted into a regular product or, based on valid reasons, may be withdrawn subject to the insured being given an option to migrate to another product subject to portability conditions.

This will help insurers experiment with new products. The filing of these products is easier and these can be withdrawn after five years if found unsuccessful. Insurers can bring in products for covering risks that have not been offered hitherto. They can also look at products specific to certain geographies. Insurers can test products available in global markets, such as the ones that enable savings for future medical purposes. They can also test and see whether products for certain diseases at a certain price could work or not. The authority may specify guidelines for pilot products from time to time. Further, Irdai has asked the insurers to give emphasis on the wellness and preventive aspects of health while covering the risk. Insurers may endeavour promoting wellness amongst policyholders of health insurance by offering outpatient consultations or treatments, pharmaceuticals or health check-ups, including discounts on all the aforementioned facilities.

Unclaimed amount with insurance firms Rs 116.68 billion: Govt

The unclaimed amount of policyholders with insurance companies (both life and non-life) has reached around Rs 116.68 billion as on March 31, 2016, Parliament was informed. "There are unclaimed amounts of policyholders with various insurance companies in India. The approximate unclaimed amount is Rs 116.68 billion," Minister of State for Finance told Lok Sabha.

Source: The Hindu Business Line

Rly. insurance not to cover terror attacks on station premises

While the government has announced a railway insurance cover of Rs 1 million at 92 paise that will insure you against accidents during your train journey, there are several exclusions that you need to be aware of. For instance, you will not be covered for any terror attack or accident on the railway station nor will you be compensated if you board the train without a confirmed ticket. Your coverage will start with the departure of train from the originating station to its arrival at the destination station, including the process of entraining and de-training the train. As per the fine print, claim intimation should be immediate but not later than four months after the event has taken place. Train accident will be defined as per definition under Section 123 read with Sections 124 and 124A of the Railways Act, 1989. Here are some of the general exclusions — You won't be paid if the accident happens while crossing the railway tracks, accident due to breach of law with criminal intent, accidents due to mental disorders or disturbances of consciousness, strokes, fits or convulsions which affect the entire body and pathological disturbances caused by the mental reaction to the same.

Source: Financial Chronicle

Irdai asks banks/FIs not to sell insurance policies forcibly

Irdai has directed banking and financial institutions, who act as bancassurance agents for insurance companies, not to forcibly sell policies to their customers or even without their consent. The Insurance Regulatory and Development Authority (Irdai) said it was receiving plaints from policyholders on being mis-sold insurance policies by banks and NBFCs. Most of the plaints where cases of misselling and unfair business practices took place included: Compulsory bundling of insurance products with bank's products despite expressing unwillingness when customers approach for housing loans; insist to buy insurance or make it a condition, at times, to get locker and issuance of policies without consent. In other cases, customers were also forcibly sold single premium insurance policies in lieu of fixed deposit receipts stating that "this will give better benefits than fixed deposits," Irdai said in its list of types of complaints.

Customers were also issued regular premium policies in place of single premium policies and renewal premiums were debited from their bank account without any intimation, assuring they will get double payment after a select period. Regulations under 'Registration of Corporate Agents' expressly forbids compelling the customers to buy insurance, Irdai said, adding there is a specific code of conduct to be abided by corporate agents. "Regulation 22 (5) of Irdai (Registration of Corporate Agents) Regulations, 2015 states that the corporate agent has to disclose to the Authority the details of specified persons (SP) along with their certificate number issued by the Authority." "This will help to ascertain the name of the SP who was responsible for such misselling," the regulator said. When such cases were referred to the insurers, they said banks had taken necessary action against the erring employee.

Source: The Financial Express

Life insurers can no longer offer indemnity based products

Insurers will have to ensure that the premium for a health insurance policy is based on age and other relevant risk factors and standard declarations in the proposal form for a health insurance policy are not required. This will mean flexibility to insurers to have own set of declarations for the customer which will help in better investigation. The Insurance Regulatory and Development Authority of India (IRDAI) has issued new Health Insurance Regulations, which will replace the 2013 rules. It will be applicable to all registered life insurers, general insurers and health insurers conducting health insurance business. Life insurers can no longer offer indemnity-based health insurance products either as an individual or a group policy. Insurers also cannot offer single premium health insurance product under unit-linked platform. General and health insurers can offer individual health products with a minimum tenure of one year and a maximum tenure of three years, provided that the premium remains unchanged for the tenure. In fact, the new regulations have helped differentiate the product offerings by life and health insurers for the first time. While life insurers will offer financial protection plans, comprehensive health plans will only be offered by health insurers.

Source: The Financial Express

Car insurance could provide limited cover

Vehicle owners in the country — numbering about 21 crore at last count — will run the risk of having to pay accident claims above Rs 10 lakh out of their pockets, if a law in the making comes into force. The Motor Vehicles (Amendment) Bill, 2016, introduced in the Lok Sabha on August 9, proposes to cap the liability of insurance companies from mishaps involving vehicles at Rs 10 lakh in case of accidental deaths and R5 lakh in case of grievous injuries. The relevant Act at present provides for no such ceilings on compensation for deaths or bodily injuries. Although motor accident claims exceed the proposed limit in a small fraction of cases, analysts said given that the claim amounts are generally on the rise, the new provision could potentially hit individuals and firms. Mandatory motor third-party (TP) insurance premium grew 19 percent on-year to Rs 21,242 crore in FY16. These premia typically go up 10-15 percent every year to reduce the burden on insures.

Source: The Financial Express

Insurance firm to pay for snatched mobile phone

The District Consumer Disputes Redressal Forum has directed a an insurer and insurance company to pay Rs 61,000 along with compensation of Rs 5,000, besides Rs 2,000 as litigation expenses to a local person, whose mobile phone was insured by them. The owner of the phone had asked the insurers to pay the claim as the handset was snatched from him by unknown persons. The insurer had failed to pay the claim. Earlier, Lakhan Arora, a resident of Ranjit Avenue, had a filed a complaint against Smart App Shield having its office at South Model Gram, Ludhiana, and The New India Assurance Company.

Source: The Tribune

Cancer care is the new buzzword for insurers

Though most insurance companies already offer critical illness cover of as high as Rs. 5 million and above, the rising number of cancer cases in India are leading companies to launch specific products. The country reports around 1 million cases every year, and the number of claims towards cancer cases is more among women than men. One of the general insurance is in the process of launching a similar product. “Cancer and related treatment is expensive. One must have a specialised plan for cancer, since this disease has a tendency of repeating itself,” said the Director of the company offering insurance.

Source: Hindustan Times

INTERNATIONAL

Federal agency sees need for $1 billion cyber coverage

The Federal Insurance Office will continue to monitor the growth of the cyber insurance marketplace, according to a report issued Monday by FIO.

“Recently, concerns have been raised regarding the capacity and scope limitations of the cyber risk insurance market, with some market participants describing market capacity for cyber risks as 'very small' and observing that billion dollar coverage limits are needed to adequately address the losses posed by cyber risks,” said FIO in its third annual report on the insurance industry.

The report cited estimates that the U.S. cyber insurance market is in excess of $2 billion.

FIO said underwriters should continue to improve processes for cyber risks. Doing so would include pooling insurance data and continuing to build expertise on cyber risks.

FIO said it would continue to monitor the development of the cyber insurance marketplace.

In the report, mandated by the Dodd-Frank Consumer Protection and Wall Street Reform Act of 2010, FIO also noted that President Barack Obama signed into law this year a measure that establishes a National Association of Registered Agents & Brokers to streamline the licensing process for insurance producers.

FIO said that in its role as an adviser to the Treasury Department on insurance issues, it supports the effort to establish a board of directors for NARAB as well as implementing the law and will monitor the governance and operation of NARAB to “ensure that it meets the objectives of the law.”

A financial controller who defrauded his employer has been jailed for 18 months

Gurmukh Shehri, 33, from Woolwich, was sentenced at the Old Bailey after pleading guilty to six counts of fraud by abuse of position, which occurred between November 2013 and November 2015. He was given 18 months in custody on each of the six charges, with the sentences to run concurrently.

Shehri committed the frauds while working at the British Insurance Brokers' Association (Biba), the City-based trade body for general insurance brokers.

The fraudster paid himself £13,248 in three separate instalments using cheques made out to a fictional property management company he called URM - which made it easier for him to change the name on the cheques to his own before paying them into his personal account.

The fraud was reported to police as soon as the payments were discovered by Biba. Shehri had already been dismissed from his position following an internal investigation into an unrelated matter, and he was arrested by the City of London police.

Brazilian corruption probes, bankruptcies spawn D&O boom

Insurers who sell policies limiting executives' liability from lawsuits have seen a surge in business thanks to a sprawling Brazilian corruption probe involving state-controlled Petroleo Brasileiro SA and a rash of corporate bankruptcies.

The country's Directors & Officers insurance market has more than doubled in value since 2011 based on the volumes of premiums paid, rising to 370 million reals ($116.9 million) last year, according to data from industry regulator Susep, the most recent available.

Such policies, which cover claims against senior executives for the decisions and actions they take as part of their management duties, typically cover legal bills arising from a criminal investigation. However, if the defendant is convicted and criminal intent is proven, then the insurer may demand repayment of those costs.

Together with the sweeping Petrobras probe, a severe recession has contributed to a surge in claims to about 47% of premiums by 2015, Susep data show, up from just 9% in 2011. Typically, bankruptcies trigger tax, labor and environmental liabilities against companies and their executives.

Source: Business Insurance

One of the biggest shakeups to the insurance sector in recent memory comes into force

The Insurance Act 2015 was granted Royal Assent 18 months ago. However, the bulk of its provisions, including creating a new duty for those insured to make a "fair presentation" of their risk and changing the way warranties are treated.

"Policyholders should benefit as insurers' ability to refuse claims in totality is restricted, a completely new and additional remedy of proportional claims payments is now made available to policyholders, and the draconian impact of certain insurance terms is removed," said Stephen Netherway, insurance partner with law firm CMS. "It's the insurance equivalent of the pulling down of the Berlin Wall."

Meanwhile, Nigel Brook, partner at Clyde & Co, added: "Some of the changes will take time to bed down and over the next few years we are likely to see certain sections tested in the courts."

However, potential policyholders should still be wary before they sign on any dotted lines as the legislation does allow for contracting out of the new rules for non-consumer deals.

"English law generally favours freedom of contract and the new Act is no exception," said Ian Lupson of Jones Day, but added the new law represented a good deal for corporates on the whole.

J. B. BODA GROUP

- **J. B. BODA - First on Protection – 70 Years of Transformation.**
  Service with Commitment – Third Generation & Moving on …
- **24 Offices in India & 5 Offices Overseas in U.K., Singapore, Dubai, Nepal, Kenya.**
- **Employs 1,000 + personnel.**

S E R V I C E S

- **Insurance & Risk Management Consultants, Life Valuation, Life & Employee Benefit Schemes.**
- **Actuarial Valuations.**
- **Training Academy.**
- **Valuation of Land, Building, Plant & Machinery.**
- **Protection & Indemnity Insurance Services.**
- **Fire, Engineering, Miscellaneous Accident Surveyors & Loss Assessors.**
  Marine Cargo Surveyors, Loss Assessors, Superintendents.
  Container Surveyors, Tank Calibrators, Samplers & Analysts.
- **International Reinsurance Brokers (Non-Life & Life).**
- **Direct Insurance Brokers (Non-Life & Life).**

Head Office :

Maker Bhavan No. 1, Sir Vithaldas Thackersey Marg, Mumbai 400 020 (INDIA)

Telephone : + 91 22 6631 4949 / 6631 4917 * Telefax : + 91 22 22623747 / 22625112

E-Mail : jbbmbi@jbbodamail.com * Web : http://www.jbboda.net

For previous issues click on www.jbboda.net/news.php

We value feedback at median@jbbodagroup.com

Follow us on

DISCLAIMER